

IRELL & MANELLA LLP  
 Robert M. Schwartz (117166)  
 (rschwartz@irell.com)  
 Victor Jih (186515)  
 (vjih@irell.com)  
 Charles Elder (186524)  
 (celder@irell.com)  
 1800 Avenue of the Stars, Suite 900  
 Los Angeles, California 90067-4276  
 Telephone: (310) 277-1010  
 Facsimile: (310) 203-7199

Attorneys for Plaintiff  
 GDC Technology Limited

**UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA**

GDC TECHNOLOGY LIMITED,  
  
 Plaintiff,  
  
 v.  
 DOLBY LABORATORIES, INC.,  
  
 Defendant.

Case No.

**COMPLAINT FOR:**

- 1. INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS**
- 2. INTENTIONAL INTERFERENCE PROSPECTIVE ECONOMIC RELATIONS**
- 3. UNFAIR COMPETITION UNDER CAL. BUS. & PROF. CODE § 17200 *et seq.***
- 4. DECLARATORY JUDGMENT OF INVALIDITY OF COPYRIGHT AND OTHER INTELLECTUAL PROPERTY**

**DEMAND FOR JURY TRIAL**

1 Plaintiff GDC Technology Limited (“GDC”) hereby alleges the following  
2 against defendant Dolby Laboratories, Inc. (“Dolby”):

### 3 **Jurisdiction & Venue**

4 1. This action arises under the Copyright Laws of the United States of  
5 America, 17 U.S.C. Section 101 *et seq.*, and the Declaratory Judgment Act, 28  
6 U.S.C. Sections 2201 and 2202. This Court has subject matter jurisdiction over the  
7 declaratory relief action under 28 U.S.C. Section 1331 and Section 1338(a) based  
8 upon the existence of an actual controversy between GDC, on the one hand, and  
9 Dolby, on the other, regarding Dolby’s claim to a copyright in its digital cinema  
10 interoperability codes and related information, and Dolby’s unlawful interference  
11 with GDC’s business based on Dolby’s false claim concerning such copyright. This  
12 Court has subject matter jurisdiction over the state-law tort claims pursuant to 28  
13 U.S.C. Sections 1338(b) and 1367.

14 2. This Court possesses personal jurisdiction over Dolby pursuant to Fed.  
15 R. Civ. P. 4(k)(1)(A) and Cal. Civ. Code Section 410.10 because Dolby conducts  
16 its digital cinema business in this District, in Burbank, California.

17 3. Venue is proper in this District pursuant to 28 U.S.C. Section  
18 1391(b)(1) because Dolby resides in this District and is subject to the court’s general  
19 personal jurisdiction.

### 20 **Nature of the Action**

21 4. Plaintiff GDC brings this lawsuit to stop Dolby from using unlawful  
22 methods to interfere with fair competition in the digital cinema industry. GDC and  
23 Dolby are competitors. Unfortunately, Dolby has concluded that it cannot compete  
24 against GDC on the basis of Dolby’s technology, customer service, or price. Faced  
25 with that reality, Dolby has had to resort to unlawful methods. GDC has recently  
26 learned that Dolby has been telling GDC’s existing and potential customers that  
27 GDC’s digital cinema products will not interoperate with Dolby’s products and that  
28

1 GDC's customers and GDC are violating Dolby's supposed copyright and other  
2 intellectual property rights by interconnecting Dolby's products to GDC's products.

3 5. As detailed below, Dolby's statements are false, and Dolby knows that  
4 what it is telling GDC's customers is false. GDC brings this lawsuit to recover  
5 damages caused by Dolby's misconduct and to obtain injunctive relief to stop Dolby  
6 from misleading GDC's customers and interfering with GDC's existing and future  
7 business relationships. GDC also seeks a judicial declaration that Dolby has no  
8 valid copyright or other intellectual property right in the information it seeks to  
9 monopolize, and that, even if there exists copyright or other protection in that  
10 information, GDC is engaged in fair use or other lawful conduct in using it to enable  
11 its products and Dolby's products to function together.

12 6. GDC is one of the world's largest sellers and servicers of software and  
13 hardware to theater owners that have converted from the use of physical film prints  
14 to entirely digital systems. GDC's servers have been installed to run on  
15 approximately 40,000 screens worldwide, including about 13,000 in the United  
16 States. GDC's TMS software has been installed to run approximately 17,000  
17 screens worldwide, including about 7,000 in the United States.

18 7. A digital cinema system consists of four basic components: (a) a media  
19 server, which stores the video and audio content of the motion picture to be  
20 exhibited and "plays" those files when instructed, (b) a sound processor, which  
21 receives the audio signal from the server when the motion picture is being shown to  
22 the audience and relays it to amplifiers and speakers, (c) a digital projector, which  
23 converts the video signal received from the server into an image on the theater's  
24 screen, and (d) a piece of software residing on a computer that coordinates the  
25 functions of each of those three physical devices and other equipment. Within the  
26 industry, that software is called a "Theater Management System" or "TMS."

27 8. To communicate with a media server, the TMS software sends  
28 messages and commands, such as a command to instruct the media server to begin

1 playing a given motion picture at a given time. These messages and commands  
 2 typically take the form of a four-digit hexadecimal (two byte) code, embedded in a  
 3 larger message header that tells the server that it is about to receive a message.  
 4 These interoperability codes are at the heart of this lawsuit.

5 9. Plaintiff GDC sells GDC-branded media servers. It also sells its own  
 6 TMS software. Dolby sells media servers, sound processors, and TMS software.  
 7 There are other competitors in the industry. Some sell projectors. Some sell media  
 8 servers. Some sell TMS software. Some sell a combination of these. For a digital  
 9 theater system to function, each component must be able to communicate with the  
 10 others.

11 10. The participants in this industry, including Dolby, know that. They  
 12 have never attempted to maintain secrecy or a proprietary interest in this  
 13 information. Nor could they. There is nothing secret about these interoperability  
 14 codes. For years market participants, including GDC and Dolby, have readily  
 15 shared their interoperability codes and related information with one another.<sup>1</sup> Even  
 16 without such overt disclosure of this information, using basic computer hardware,  
 17 one can easily determine the codes by reading the data transmissions between TMS  
 18 software and a media server.

19 11. Were the market participants to not share this information, they would  
 20 make it more difficult to sell their products to theater owners, whose needs may be  
 21  
 22

---

23 <sup>1</sup> This package of information is sometimes called an “API.” However, it should not  
 24 be confused with the term “API” where used in other contexts to refer to computer  
 25 code that functions as an interface between two other pieces of software. The digital  
 26 cinema interoperability codes and message header information at issue here are *not*  
 27 computer code. They are typically embodied in the form of a booklet that describes  
 28 the functions of each available message and command for the operation of a  
 particular piece of digital cinema hardware. Collectively, this information is often  
 titled and referred to as a “protocol.” Someone wishing to sell TMS software writes  
 their own computer code to perform the functions described in the protocol and to  
 operate the piece of hardware at issue, such as a media server. Among many other  
 things, this code sends a message to the media server, containing the relevant  
 interoperability code, when needed for the operation of the cinema system.

1 better served by buying the four basic digital cinema components from different  
2 manufacturers and sellers, or in different combinations.

3 12. To that end, for years Dolby has provided the protocols, including the  
4 interoperability codes, for its products to its competitors, including GDC. And  
5 Dolby has never taken the position that any of this information constituted any form  
6 of intellectual property that it could or that it desired to control. For example, in  
7 2011, when GDC asked Dolby to send GDC the latest Dolby media server  
8 protocols, which included the interoperability codes, Dolby provided them  
9 enthusiastically, even rebuffing the notion that any “license,” “NDA” (non-  
10 disclosure agreement), or other “legal documents” were necessary. Why not?  
11 Because, in Dolby’s own words, “We are happy to see our server become a  
12 component of as many [digital cinema] solutions as possible.”

13 13. Similarly, GDC has provided the protocols, including its  
14 interoperability codes, to Dolby and to GDC’s other competitors. As a result of this  
15 technical cooperation, sellers of TMS software have used the interoperability codes  
16 of Dolby, GDC, and others to enable their software to control the hardware, such as  
17 the media servers, sold by their competitors, including GDC and Dolby.

18 14. The cooperative relationship between GDC and Dolby began to  
19 change, however, after Dolby bought another media server manufacturer, Doremi, in  
20 October 2014. Dolby now sells the Doremi media servers under the Dolby  
21 nameplate. Although Dolby has continued to share its interconnection protocols,  
22 including interconnection codes, with every other member of the digital cinema  
23 industry, it has recently singled out GDC and decided that it would no longer do so.

24 15. Dolby has two reasons for discriminating against GDC and attempting  
25 to stymie GDC’s ability to compete against Dolby in the digital cinema business.

26 16. First, GDC is by far Dolby’s primary competitor for media servers. No  
27 other seller poses the same competitive threat.  
28

1           17. Second, Dolby is seeking to enhance its prospects in another aspect of  
2 the digital cinema business: sound processing. In 2012, Dolby introduced a theater  
3 sound processing system called “Atmos.” Dolby claims that its Atmos sound system  
4 provides an improved audio experience for theater-goers. But in selling its Atmos  
5 system to theater owners, Dolby has to compete against others. One competitor is  
6 Digital Theater Systems, also known as DTS. Dolby’s competitive prospects  
7 dimmed in April 2015, when DTS announced a new and superior immersive sound  
8 processing technology, called “DTS:X.” GDC is licensed to use the DTS:X  
9 technology on its servers. GDC is the only media server capable of playing motion  
10 pictures with the DTS:X immersive soundtrack; not even Dolby can offer servers  
11 capable of doing that. In addition, a theater owner wishing to use the Dolby Atmos  
12 sound system has to purchase additional hardware, including an expensive external  
13 sound processor (the Dolby CP850 cinema sound processor) to enable Dolby’s  
14 Atmos soundtrack to be heard. In contrast, a theater owner wishing to offer the  
15 DTS:X immersive sound experience to its customers does not need to buy any such  
16 additional or expensive sound processing hardware.

17           18. To protect Dolby’s investment in its Atmos sound system, defend its  
18 clumsy and expensive set-up, and to compel theater owners to use Dolby’s sound  
19 system instead of DTS’s sound system, Dolby is using its claimed intellectual  
20 property right in the interoperability codes to pressure GDC’s customers to not use  
21 GDC servers. Dolby wants them to use Dolby servers, or others’ servers that use  
22 Dolby’s Atmos system.

23           19. In pursuit of these ends, Dolby could design, price, and service  
24 products and technologies that are superior to those offered by GDC. But Dolby has  
25 failed to do so. As a result, Dolby has had to resort to telling GDC’s current and  
26 potential customers that GDC’s products are not compatible with Dolby’s products  
27 and that by interconnecting them, Dolby’s intellectual property rights are being  
28 violated. To that end, on April 8, 2016, and for the first time in the many years that

1 these companies have been making available to one another their protocols and  
2 interconnection codes, Dolby notified GDC in writing that its protocols and  
3 interconnection codes are subject to copyright and other unspecified intellectual  
4 property rights. Further, Dolby demanded that GDC refrain from telling GDC's  
5 customers that GDC has the right to use Dolby's interconnection codes.

6 20. GDC is informed and believes that Dolby knows that these assertions,  
7 and its similar statements to GDC's customers, are false: Dolby knows that GDC's  
8 products are compatible with those that Dolby sells. Dolby knows, for example, that  
9 GDC's software is able to control Dolby's digital cinema hardware.

10 21. GDC is informed and believes that Dolby also knows that the  
11 interoperability codes that permit Dolby's products to interoperate with GDC's  
12 products—and with the products sold by every other competitor in the digital  
13 cinema industry—are not protectable forms of intellectual property, whether under  
14 copyright law or otherwise. A search of the U.S. Copyright office reveals that  
15 Dolby has registered dozens of digital cinema-related works for copyright  
16 protection. The claimed intellectual property Dolby has told GDC's customers that  
17 they and GDC are infringing is nowhere to be found within those registrations. And  
18 in its April 8, 2016, letter to GDC, Dolby admitted that it has not previously sought  
19 copyright registration for those codes or their related information.

20 22. GDC is informed and believes that Dolby also knows that, even if these  
21 interoperability codes and related information were protectable as a matter of  
22 copyright or other law, GDC is engaged in fair use and its conduct is otherwise  
23 lawful. GDC writes its own software code for the GDC TMS. The only element of  
24 Dolby's protocol that GDC uses is the set of messages/commands and  
25 corresponding hexadecimal interoperability codes. Dolby allows every other  
26 participant in the industry to use this information. Dolby has never asked GDC, and  
27 GDC is informed and believes that Dolby has never asked any other industry  
28 participant, to sign a license or any other form of grant or permission to use that



1 information in the products of Dolby's competitors. To the contrary, and as quoted  
 2 above, Dolby has informed GDC (and presumably others who have made the same  
 3 requests) that no license, NDA, or other legal document is necessary to access and  
 4 use this information.

5 23. In light of Dolby's false and disruptive communications to GDC's  
 6 existing and potential customers, and the assertions in Dolby's April 8, 2016, letter,  
 7 GDC has no choice but to seek judicial relief through this action.

### 8 **The Parties**

9 24. Plaintiff GDC Technology Limited is a British Virgin Island  
 10 corporation with its principal place of business at 39 Healthy Street East, Unit 1-7,  
 11 20<sup>th</sup> Floor, Kodak House II, North Point, Hong Kong. GDC is a leading global  
 12 digital cinema solutions provider, with the second largest installed base of digital  
 13 media servers globally and the largest installed base in the Asia-Pacific region. In  
 14 addition to selling digital media servers, GDC sells TMS software. GDC's TMS  
 15 software interfaces with media servers produced both by GDC and other companies.  
 16 GDC conducts business in California through offices located in this District.

17 25. Defendant Dolby is a Delaware corporation with its corporate  
 18 headquarters located at 1275 Market Street, San Francisco, California 94103 and its  
 19 digital cinema business operations located in this District at 3601 West Alameda  
 20 Avenue, Burbank, California 91505. Doremi Labs, located in this District at 1020  
 21 Chestnut Street, Burbank, California 91505 became a wholly-owned subsidiary of  
 22 Dolby in 2014. Its digital cinema products, including media server and TMS  
 23 software, are sold under the Dolby nameplate. Its officers and employees have  
 24 engaged in the conduct at issue in this case.

### 25 **Allegations Common To All Claims For Relief**

26 26. At its core, this is a dispute over whether Dolby has a right to claim  
 27 that various four-digit hexadecimal interoperability codes used to issue commands  
 28 to computer hardware merit copyright or other intellectual property protection, and,



1 even if so, whether Dolby can tell GDC's customers that GDC's use of those codes  
 2 is unlawful. To understand how these interoperability codes function, it is first  
 3 necessary to delve into the mechanics of digital cinema systems.

#### 4 **Digital Cinema, TMS, and Interoperability Codes**

5         27. Digital cinema systems are most easily explained via analogy to a  
 6 comparable entertainment system: the typical home theater. Like a digital cinema  
 7 system, a home theater may consist of hardware purchased from several different  
 8 manufacturers. Generally, each piece of hardware—whether it be a television  
 9 screen, a sound system, a DVR, a set-top box, or something else—comes with its  
 10 own remote control and instruction manual dictating how to use the hardware. The  
 11 result is that the user can be overwhelmed by myriad remotes and instructions,  
 12 unable to efficiently synchronize these systems and enjoy a painless viewing  
 13 experience.

14         28. To combat that problem, many consumers purchase universal remotes,  
 15 or program one remote (such as the one supplied with their set-top box) to operate  
 16 all of the hardware. As their name suggests, these remotes are designed such that  
 17 they can operate with every piece of hardware, no matter the model or make. That  
 18 is, they enable the user to control the entire home theater using a single interface—  
 19 the remote itself.

20         29. Manufacturers, however, cannot make functional universal remotes in a  
 21 vacuum. Although they can design a remote control capable of sending the Infra-  
 22 Red (“IR”) pulses needed to execute numerous functions of the hardware, the  
 23 remote cannot communicate with a piece of hardware unless it knows some of that  
 24 hardware’s “vocabulary.” Thus, a universal remote manufactured by Company B  
 25 can only tell a Company A television set to turn on the power if it knows the  
 26 specific word or command associated with that function.

27         30. In that regard, TMS software is akin to the universal remote for digital  
 28 cinema. One of the four main components of any digital cinema system, TMS

1 software allows cinema exhibitors to govern and control—via one interface—the  
2 other three primary components that comprise a modern digital cinema system:  
3 (a) a media server, which stores the video and audio content of a motion picture and  
4 “plays” those files when instructed; (b) a sound processor, which receives the audio  
5 signal from the server when the motion picture is being shown to the audience; and  
6 (c) a digital projector, which converts the video signal received from the server into  
7 an image on the theater’s screen.

8         31. However, like a universal remote, TMS software cannot communicate  
9 with a given piece of hardware unless it knows that hardware’s vocabulary—or  
10 messages and commands—for particular functions. A Dolby media server’s  
11 commands generally consist of four-digit hexadecimal (two byte) interoperability  
12 codes. To illustrate, the hexadecimal digits “A1B2” could be used as a Dolby media  
13 server command tell the media server to begin playback of the motion picture.

14         32. Historically, GDC, Dolby, and other media server manufacturers have  
15 freely shared these interoperability codes, presumably on the understanding that the  
16 more TMS software that can run their hardware, the more versatile—and thus  
17 attractive—the hardware is to digital cinema exhibitors. And for years, TMS  
18 software developers have employed these interoperability codes to ensure that their  
19 software can function in any digital cinema system. Indeed, Dolby and GDC have  
20 previously exchanged interoperability codes.

21         33. Additionally, Dolby and GDC neither made any claim to intellectual  
22 property rights in these interoperability codes, nor sought to license the use of these  
23 interoperability codes.

24         34. Notably, the only information of Dolby—or any other company—that  
25 GDC’s TMS software uses are these interoperability codes and associated messages  
26 and commands. That is industry practice. Like its other competitors, GDC writes  
27 its own code for the TMS software itself.  
28

1 **Doremi Interoperability Codes**

2 35. For years, Doremi has shared its interoperability codes and related  
3 information with manufacturers and other participants in the digital cinema industry.  
4 GDC has used the Doremi interoperability codes and related information to enable  
5 its TMS software to interface with Doremi's media servers.

6 36. Until recently, GDC's use of Doremi's interoperability codes has been  
7 a non-event, as demonstrated by Doremi's lack of any reaction or response. Doremi  
8 has known that many TMS software providers have been using the Doremi  
9 interoperability codes to ensure that their TMS software could interface with  
10 Doremi's media servers. GDC is unaware of any efforts by Doremi to interfere with  
11 this use; presumably Doremi did not believe that it had legal grounds to do so.

12 **Dolby Acquires Doremi in October 2014**

13 37. Dolby and GDC have had an amicable relationship for years. As noted  
14 above, Dolby provided GDC with the interoperability codes necessary for GDC's  
15 TMS software to communicate with Dolby's digital cinema servers.

16 38. On information and belief, this relationship changed in late 2014, when  
17 Dolby acquired Doremi Labs. This purchase represented an intensification of  
18 Dolby's efforts to dominate the digital media server market and the market for a  
19 new generation of theater sound processing, known as "immersive sound." At that  
20 point, Dolby began selling Doremi media servers under the Dolby nameplate and  
21 used Doremi's interoperability codes to control those servers. And Dolby has  
22 refused to support the DTS:X sound format in its digital cinema products.

23 39. Around the same time that Dolby was bolstering its media server  
24 offerings, GDC sought to expand its audio offerings. To that effect, GDC  
25 announced in April 2015 that it was the licensee for DTS:X, the new immersive  
26 sound processing technology developed by DTS. Just as GDC competed with  
27 Dolby in the TMS and media server market, DTS competed with Dolby in the sound  
28 processing technology market.

1           40. Thus, by mid-2015, Dolby faced a dilemma. Its major competitor in  
2 the media server market was now offering cinema exhibitors an alternative to  
3 Dolby's own sound processing technology—Dolby Atmos. Accordingly, to  
4 preserve its server market share, Dolby had to stifle GDC's ascendance.

5           41. Generally, when confronted in the marketplace by a superior product,  
6 companies seek to generate a competitive edge by developing new technology,  
7 improving product performance, offering improved customer service, or simply by  
8 dropping the price of extant products.

9           42. Dolby apparently did not believe these to be viable options to continue  
10 competing with GDC. Instead of focusing on its own offerings, Dolby sought to  
11 attack the GDC alternatives.

12           43. This effort began with a campaign to dissuade cinema exhibitors from  
13 using GDC's TMS software to control Dolby digital media servers. GDC is  
14 informed and believes that, in late 2015, Dolby began contacting digital cinema  
15 exhibitors with whom it knew GDC currently had contractual relationships or with  
16 whom it believed GDC would soon enter into contractual relationships (collectively,  
17 "GDC customers") to provide GDC TMS software that could interface with a  
18 variety of digital cinema system products, including Dolby's.

19           44. GDC is informed and believes that, although Dolby knew that its  
20 interoperability codes and related information were not protectable under U.S.  
21 copyright law (or any other U.S. intellectual property regime), it nonetheless falsely  
22 represented to GDC customers that GDC's use of these codes and information  
23 violated Dolby's intellectual property rights.

24           45. For example, in a March 19, 2016 letter one of GDC's customers, PVR  
25 Pictures, one of the largest theater operators in the world, Mike Archer, a Dolby  
26 executive and former Vice President of Digital Cinema Sales at Doremi, wrote:

27                   It was brought to my attention that PVR has decided to deploy  
28                   the GDC TMS to control Dolby/Doremi servers. I feel I am obligated

1 to inform you that we have authorized the use inside of China, but  
2 GDC is not authorized to use their TMS to control our servers outside  
3 of China.

4 Being a public company like Dolby, I'm sure you can appreciate  
5 our concern when other companies choose to honor our request as it  
6 relates to our IP.

7 46. This letter had its intended effect. Dolby immediately plunged GDC's  
8 relationship with PVR into turmoil, jeopardizing GDC's extant contractual relations.  
9 By knowingly invoking baseless infringement claims, Dolby has damaged and  
10 continues to damage GDC's current and future contractual relationships via unfair  
11 business methods.

12 47. In addition to telling GDC's customers (and, by necessity, Dolby's own  
13 customers) that using GDC TMS to control Dolby servers violates Dolby's  
14 intellectual property rights, GDC is informed and believes that Dolby falsely has  
15 represented to GDC's customers that GDC's products are not compatible with  
16 Dolby's products, including Dolby media servers.

17 48. As stated above, Dolby also communicated with industry participants  
18 with whom Dolby expected GDC to conduct future business. Dolby told such  
19 potential GDC customers that GDC's TMS software was not authorized to operate  
20 Dolby media servers (implying that Dolby's authorization was necessary because  
21 the information needed to interoperate the products constituted Dolby's intellectual  
22 property), that using the TMS software to operate Dolby's media servers would  
23 violate Dolby's legal rights, and that such potential purchasers should not buy  
24 GDC's products. Believing Dolby's representations to be true, these potential GDC  
25 customers refrained from purchasing GDC's TMS software.

26 49. In an effort to resolve dispute informally, GDC wrote Dolby on March  
27 23, 2016, and stated that Dolby's interoperability codes were not copyrightable and  
28

1 that therefore GDC's use of these interoperability codes did not constitute  
2 infringement. GDC invited further discussion to avoid a dispute.

3 50. Dolby was not interested. It responded on April 8, 2016 with a cease  
4 and desist letter from its outside litigation counsel. In that letter, Dolby rejected  
5 GDC's position, and maintained both that it held a valid copyright in its  
6 interoperability codes and that "any offer, sale or other dissemination by GDC of  
7 any product that incorporates or uses in any way Dolby's [Protocol] absent express  
8 written authorization or license from Dolby," constituted copyright infringement.  
9 Dolby additionally "demand[ed] that GDC cease any communication with any third  
10 party" stating that GDC may lawfully use Dolby's interoperability codes.

11 51. Dolby knows that many other TMS manufacturers currently use  
12 Dolby's interoperability codes. Yet Dolby has taken no action against those  
13 manufacturers.

14 52. Dolby has never approached GDC with respect to licensing Dolby's  
15 interoperability codes, and GDC is informed and believes that Dolby has not entered  
16 into a licensing agreement with any TMS software manufacturer to authorize that  
17 manufacturer to use Dolby's alleged property.

### 18 **First Claim for Relief:**

#### 19 **Intentional Interference With Contract**

20 53. GDC incorporates by reference the allegations in paragraphs 1 through  
21 52 above, as if set forth fully herein.

22 54. GDC possesses valid contracts with various digital cinema exhibitors,  
23 including PVR Cinemas, to provide and service TMS software capable of operating  
24 with a wide variety of media servers, including Dolby's media servers.

25 55. Dolby is and, at all material times, has been aware of the existence of  
26 these contracts. Indeed, it could not have written the offending letters were it  
27 unaware of these relationships.  
28

1        56. Dolby engaged in conduct that was calculated to disrupt GDC's rights  
 2 under those contracts and to make performance under those contracts more difficult,  
 3 and achieved those ends. In doing so, Dolby has prevented GDC from realizing the  
 4 benefits of these contractual relationships. To achieve those ends, Dolby has,  
 5 among other things, contacted GDC's customers and falsely stated that the use of  
 6 GDC's TMS software to control Dolby media servers violates Dolby's intellectual  
 7 property rights.

8        57. GDC has been damaged as a result of Dolby's intentional interference  
 9 with GDC's contracts in an amount to be proven at trial, including, but not limited  
 10 to, the profits GDC would have made but for Dolby's interference.

11        58. Dolby's acts were undertaken intentionally and in conscious disregard  
 12 of GDC's rights. In addition, Dolby's acts were malicious, oppressive, and/or  
 13 fraudulent. Therefore, GDC should be awarded punitive and exemplary damages  
 14 sufficient to punish Dolby and to deter similar conduct in the future.

15        59. Defendants' conduct indicates that it has no intention to stop harassing  
 16 either GDC or GDC's customers—and, unless restrained, will not do so—to GDC's  
 17 great and irreparable injury, for which damages would not afford adequate relief, in  
 18 that they would not completely compensate for the injury to GDC's business  
 19 reputation, goodwill, and integrity amongst the digital cinema exhibitors.

20                                    **Second Claim for Relief:**

21                                    **Intentional Interference**

22                                    **With Prospective Economic Advantage**

23        60. GDC incorporates by reference the allegations in paragraphs 1 through  
 24 52 as set forth fully herein.

25        61. Before Dolby's 2016 letter-writing campaign, GDC was actively  
 26 developing business relationships to provide TMS software and servers to digital  
 27 cinema exhibitors and manufacturers.



1           62.   Dolby is and, at all material times, has been aware of the existence of  
2 GDC's prospective contractual relationships. Dolby could not have sent GDC's  
3 customers the kinds of communications that it has been sending were it unaware of  
4 these prospective contractual relationships.

5           63.   GDC is informed and believes that Dolby falsely represented to  
6 potential GDC customers that Dolby held property rights in its interoperability  
7 codes and related information even though Dolby knew that it did not possess any  
8 legitimate intellectual property rights in that information. GDC is also informed and  
9 believes that Dolby falsely represented to these digital cinema exhibitors and  
10 manufacturers that GDC's TMS software was not interoperable with Dolby's  
11 products.

12           64.   Dolby's representations were calculated to disrupt GDC's ongoing  
13 business negotiations with prospective customers. Dolby contacted potential GDC  
14 customers with the intent to induce them to sever their business relationships with  
15 GDC and ensure that they did not enter into contracts to purchase GDC's TMS  
16 software.

17           65.   Dolby's false representations as alleged above were wrongful,  
18 constituting, among other things, an unfair business practice in violation of  
19 California Business & Professions Code Section 17200 *et seq.*

20           66.   GDC is informed and believes that, because of Dolby's false  
21 representations to potential GDC customers, those customers severed their business  
22 relationships with GDC.

23           67.   As a result of Dolby's intentional interference with GDC's prospective  
24 economic advantage, GDC suffered damages in an amount to be proven at trial.  
25 Because of Dolby's intentional acts, GDC will not realize the profits (and the  
26 concomitant value of further developing the customer relationships with which  
27 Dolby's conduct has interfered) from these prospective business relationships that it  
28 would have realized, but for Dolby's conduct described herein.

68. Dolby's acts were undertaken intentionally and in conscious disregard of GDC's rights to compete fairly in the marketplace. In addition, Dolby's acts were malicious, oppressive, and/or fraudulent. Therefore, GDC should be awarded punitive and exemplary damages sufficient to punish Dolby and to deter similar conduct in the future.

69. Defendants' conduct indicates that it has no intention to stop harassing either GDC or GDC's potential customers—and, unless restrained, will not do so—to GDC's great and irreparable injury, for which damages would not afford adequate relief, in that they would not completely compensate for the injury to GDC's business reputation, goodwill, and integrity amongst digital cinema exhibitors and manufacturers.

### **Third Claim For Relief:**

#### **Unfair Competition**

#### **Under Cal. Bus. & Prof. Code § 17200 *et seq.***

70. GDC incorporates by reference the allegations in paragraphs 1 through 52 as set forth fully herein.

71. GDC is informed and believes that, beginning in late 2015, Dolby began contacting GDC's current and potential customers, informing that the use of GDC's TMS software to control Dolby's media servers violated Dolby's intellectual property rights. GDC is additionally informed and believes that Dolby represented that GDC's TMS software was incompatible with Dolby's media servers.

72. GDC is informed and believes Dolby's representations were false, and that Dolby knew they were false when it made them. Dolby nonetheless made these untruthful representations in an effort to unfairly compete with GDC.

73. As a direct, proximate, and foreseeable result of Dolby's wrongful conduct, GDC's relations with both its current customers and potential future customers have been damaged, injuring GDC.

74. In a March 23, 2016 letter to Dolby, GDC expressed its concern that Dolby's communications to GDC customers regarding the use of GDC's products, and their compatibility with Dolby's products, were not correct. Dolby responded on April 8, 2016, by stating that Dolby's letters had been truthful. In the same letter, Dolby demanded that GDC cease communicating informing to its customers on these matters even though that information is, in fact, truthful.

75. Dolby's actions hereinabove alleged are acts of unfair competition within the meaning of Business and Professions Code Section 17203. GDC is informed and believes that Dolby will continue to make false representations to GDC's customers unless and until the court orders GDC to cease and desist.

**Fourth Claim For Relief:**

**Declaratory Judgment**

**Concerning Dolby's Claimed Intellectual Property**

76. GDC incorporates by reference the allegations in paragraphs 1 through 52 as set forth fully herein.

77. To control the operation of Dolby's media servers, GDC's TMS software uses various Dolby's interoperability codes, as well as the associated messages, commands, and other related information (collectively, "Dolby's Alleged Property").

78. Dolby has written letters to GDC's customers stating that using GDC's TMS software to control Dolby media servers outside of China violates Dolby's intellectual property rights in the interoperability codes and other elements of Dolby's Alleged Property.

79. Dolby has written to GDC, asserting that Dolby possesses the copyright in the interoperability codes and other elements of Dolby's Alleged Property. Dolby's letter suggests the possibility that Dolby's Alleged Property may constitute some other form of intellectual property, such as a trade secret. In the same letter, Dolby noted that GDC does not have a license to use the interoperability codes, and

1 that “any unauthorized or unlicensed use or dissemination of Dolby’s  
2 [interoperability codes] by GDC would constitute an infringement of Dolby’s  
3 rights.”

4 80. Dolby has also “demand[ed] that GDC cease any communication with  
5 any third party that GDC does have a right” to use Dolby’s Alleged Property.

6 81. Contrary to Dolby’s assertions, the four-digit hexadecimal (two byte)  
7 interoperability codes, as well as the other elements of Dolby’s Alleged Property,  
8 are not subject to copyright protection or any other form of intellectual property,  
9 such as a trade secret. Among other reasons, the foregoing do not possess the  
10 requisite modicum of creativity, are functional, and represent the merger of idea and  
11 expression. And Dolby has publicly disclosed the information contained in its  
12 Alleged Property, thereby stripping it of any trade secret protection.

13 82. Even if Dolby’s Alleged Property is properly the subject of copyright  
14 or trade secret protection, GDC claims, and Dolby disputes, that GDC is engaged in  
15 fair use or other lawful conduct in GDC’s use of Dolby’s Alleged Property to enable  
16 GDC’s TMS software to function with Dolby media servers. Furthermore, Dolby is  
17 estopped from asserting copyright or trade secret claims based upon equitable  
18 doctrines of waiver and laches. Dolby has not asserted its alleged copyright or trade  
19 secret claims against any other company despite knowledge of alleged infringement.  
20 Dolby has knowingly acquiesced as GDC and other companies used Dolby  
21 interoperability codes and other elements of its Alleged Property for years.

22 83. Based on the foregoing, there exists an actual controversy between the  
23 parties over the following:

- 24 a. whether the Dolby Alleged Property, including the  
25 interoperability codes, constitutes copyrightable subject matter;
- 26 b. whether the Dolby Alleged Property, including the  
27 interoperability codes, constitutes any other form of protectable intellectual  
28 property, such as a trade secret;

1 c. whether, even if the Dolby Alleged Property, including the  
 2 interoperability codes, constitutes copyrightable subject matter, GDC's use  
 3 violates any copyright therein or is subject to an affirmative defense; and,

4 d. whether, even if the Dolby Alleged Property, including the  
 5 interoperability codes, constitutes any other form of protectable intellectual  
 6 property, such as a trade secret, GDC's use violates the rights therein or is  
 7 subject to an affirmative defense.

### 8 **Prayer for Relief**

9 WHEREFORE, GDC respectfully requests that this Honorable Court enter  
 10 judgment in its favor and order the following relief:

### 11 **On the First and Second Claims for Relief**

- 12 1. For compensatory damages according to proof in an amount to be  
 13 determined at trial;
- 14 2. For an award of exemplary damages against Dolby sufficient to make  
 15 an example of and punish Dolby for its willful misconduct as alleged  
 16 herein;

### 17 **On the First, Second, and Third Claims for Relief**

- 18 3. For injunctive and other relief preventing Dolby from engaging in acts  
 19 of interference with GDC's existing and future business relationships  
 20 and acts of unfair competition;

### 21 **On the Fourth Claim for Relief**

- 22 4. For a judicial declaration that:
  - 23 a. The Dolby Alleged Property, including the interoperability  
 24 codes, does not constitute copyrightable subject matter;
  - 25 b. The Dolby Alleged Property, including the interoperability  
 26 codes, does not constitute any other form of protectable  
 27 intellectual property, such as a trade secret;

- 1 c. Even if the Dolby Alleged Property, including the  
2 interoperability codes, constitutes copyrightable subject matter,  
3 GDC's use does not violate any copyright therein or is subject to  
4 an affirmative defense, such as fair use, waiver, acquiescence, or  
5 laches; and,
- 6 d. Even if the Dolby Alleged Property, including the  
7 interoperability codes, constitutes any other form of protectable  
8 intellectual property, such as a trade secret, GDC's use does not  
9 violate the rights therein or is subject to an affirmative defense.

10 **On All Claims for Relief**

- 11 5. For attorneys' fees and costs expended in the prosecution of this action  
12 to the full extent permitted by law; and
- 13 6. For such other and further relief as the Court deems appropriate.
- 14

15 Dated: April 11, 2016 \_\_\_\_\_

IRELL & MANELLA LLP  
Robert M. Schwartz  
Victor Jih  
Charles Elder

18 By:   
19 Robert M. Schwartz  
20 Attorneys for Plaintiff  
21 GDC Technology Limited

**Demand For Jury Trial**

GDC hereby demands a jury trial on all issues properly triable to a jury.

Dated: April 11, 2016 \_\_\_\_\_

IRELL & MANELLA LLP  
Robert M. Schwartz  
Victor Jih  
Charles Elder

By:  \_\_\_\_\_  
Robert M. Schwartz  
Attorneys for Plaintiff  
GDC Technology Limited